

**ALFRED DUMA LOCAL  
MUNICIPALITY  
KZN 238**



**Cost Containment Policy**

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## **1. DEFINITIONS / ABBREVIATIONS:**

- 1.1 In this policy a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise and –

**“Act”**- means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)

**“Consultant”** – means a professional person, individual, partnership, corporation or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality to perform its functions to achieve the objects of local government in terms of Section 152 of the Constitution.

**“cost containment”** – means measures implemented to curtail spending in terms of this policy; and

**“credit card”**- means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

**MCCR** – Local Government: Municipal Cost Containment Regulations

**MFMA** - Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)

## **2. OBJECT OF THE POLICY:**

The object of this policy in line with Sections 62(1)(a), 78(1)(b), 95(a), and 105 (1)(b) of the Act, is to ensure that resources of a municipality are used effectively, efficiently and economically by implementing cost containment measures.

## **3. APPLICATION OF THE POLICY**

This policy applies to all officials and political office bearers of the municipality. This policy must be applied in conjunction with the MCCR, as well as MFMA Circular No 97 on Municipal Cost Containment Measures.

## **4. USE OF CONSULTANTS**

- 4.1 A municipality may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality does not have the requisite skills or resources in its full-time employ to perform the function.

- 4.2 An Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates-
- a) Determined in the "Guideline on fees for audits undertaken on behalf of the Auditor General of South Africa," issued by the South African Institute of Chartered Accountants;
  - b) Set out in the "Guide on Hourly Fee Rates for Consultants" issued by the Department of Public Service and Administration; or
  - c) As prescribed by the body regulating the profession of the consultant.
- 4.3 The tender documentation for the appointment of consultants must include a clause that remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in clause (4.2) above.
- 4.4 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- 4.5 When consultants are appointed, an accounting officer must –
- (a) appoint consultants on a time and cost basis with specific start and end dates;
  - (b) where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
  - (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
  - (d) ensure the transfer of skills by consultants to the relevant officials of a municipality; Skills may be transferred through the provision of workshops or on the job training;
  - (e) undertake all engagements of consultants in accordance with Municipal Supply Chain Management Regulations, 2005 and the municipality's supply chain management policy; and
  - (f) develop consultancy reduction plans to reduce the reliance on consultants.
- 4.6 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 4.7 A municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

- 4.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.
- 4.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

## **5. VEHICLES USED FOR POLITICAL OFFICE BEARERS**

- 5.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70%(VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 5.2 The procurement of vehicles in clause 5.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 5.3 Before deciding to procure a vehicle as contemplated in clause 5.2, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- (a) status of current vehicles
  - (b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided the most cost-effective option is followed and the cost is equivalent to or lower than that contemplated in clause 5.1. Costs represents total costs including financing charges.
  - (c) extent of service delivery backlogs.
  - (d) terrain for effective usage of the vehicle; and
  - (e) any other policy of council
- 5.4 If the rental referred to in clause 5.3 is preferred the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 5.5 Regardless of their usage, the vehicles for use by political office bearers may only be replaced after completion of 120 000 km.
- 5.6 Notwithstanding clause 5.5, a municipality may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

- 5.7 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

## **6. TRAVEL AND SUBSISTENCE**

- 6.1 An accounting officer –
- (a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for flights is five hours or less; and
  - (b) may only approve the purchase of business class tickets for officials, political office bearers, and persons reporting directly to the accounting officer for flights exceeding five hours.
- 6.2 In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.
- 6.3 Notwithstanding clause 6.1 or 6.2, an accounting officer, or the mayor in the case of an accounting officer may approve the purchase of business class tickets for an official or a political office bearer with a disability of a medically certified condition.
- 6.4 International travel to meetings or events that are considered critical must be limited. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.
- 6.5 An accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only –
- (a) during peak holiday periods; or
  - (b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and/or international guests in that particular geographical area.
- 6.6 An official or a political office bearer of a municipality must, where viable:
- (a) Utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
  - (b) Make use of available public transport or a shuttle service if the cost of such a service is lower than-
    - (i) The cost of hiring a vehicle;
    - (ii) The cost of kilometres claimable by the official or political office bearer; and
    - (iii) The cost of parking.

- (c) not hire vehicles from a category higher than Group B or an equivalent class; and
  - (d) Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting office before hiring the vehicle.
- 6.7 The above in paragraph 6.6 does not oblige the use of public or alternative modes of transport for public office bearers and officials, but rather requires municipalities to ensure that expenditure in this regard is reasonable and balanced against the service delivery needs and priorities of the municipality. In the case of Alfred Duma Local Municipality public transport is not viable due to safety, risk and practical implementation.
- 6.8 A municipality may hire a vehicle that is higher than the Group B class outlined in regulation 7(6), but only where this is required for a particular terrain or to cater for the special needs of an official or public office bearer or when the number of officials attending a specific event necessitate a higher class vehicle. However, this must be done with the prior approval of the accounting officer.
- 6.9 A municipality must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation that can be negotiated with other service providers that offer lower rates.
- 6.10 Therefore, in determining the appropriate mode of transport to enable the performance of duties, municipalities should apply the factors mentioned in the regulation. However, these factors are not exhaustive and the cost containment policy of the municipality and municipal entity may include other factors including safety considerations.
- 6.11 The municipality must first consider their own fleet, where viable, prior to hiring of vehicles. The use of shuttle services, if the cost of such a service is below the cost of hiring a vehicle, and other options can be considered. Therefore, accounting officers must encourage officials and councillors to make use the most cost effective option so as to reduce travel costs. Council policy can permit employees to accept up-graded group of hired vehicles if such an up-grade is offered with no extra charge or at a lower charge than a Group B vehicle. Vehicle travel claims by employees of municipalities must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme. The principle of cost containment and savings should inform council's policies.
- 6.12 Air Travel
- a) The National Treasury has negotiated with South African Airways (SAA) and Comair/British Airways (BA) for upfront discounted air fares for government employees, including councillors, travelling domestically for

official purpose. These Domestic Air Travel Fares will be regularly reviewed by the National Treasury (These rates are not applicable for International Air Travel).

- b) For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.
- c) For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.
- d) The premise of “Best Fare on the Day” should be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA Comair. Quotations are to be obtained from at least SAA and BA Comair before issue. Municipalities and municipal entities must also request quotations from other Low Cost Carriers. Please note that all discounted rates are subject to class availability.
- e) In order to make full use of the corporate discount with SAA and BA, municipalities and municipal entities must instruct their appointed TMCs or persons making their bookings for domestic airline tickets, to book against the relevant deal codes as detailed in Annexure B.
- f) Corporate agreements with SAA and BA/Comair will be made available to TMCs that are currently contracted to Government. Should the municipal TMC have not been contacted by the full service carrier representative, they are to inform National Treasury with the agent’s name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full service carriers will ensure that the TMC is given access to the deal code. The TMC must have an authenticated IATA number.
- g) Travel agencies are only permitted to make booking arrangements on behalf of municipalities in line with the MCCR, 2019 read together with Circular 97 of the MFMA on Municipal Cost Containment Measures.
- h) Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

## **7. DOMESTIC ACCOMODATION**

- 7.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice. When sourcing

accommodation for officials, the municipality should find options that are equal to or lower than the rates as determined by MFMA Circular 97 on Municipal Cost Containment Measures, depending on the allowable star grading and the band. Competition and cost effectiveness must remain a key principle.

- 7.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres, or where attendance is required over a number of days.
- 7.3 There may be circumstances that such limitations in paragraph 7.2 above may be impractical. For example, there is a risk to the health of the official or councillor and cost vs benefit considerations can warrant such expenditure. Approval by the Accounting Officer is required for such exceptions.

## **8. CREDIT CARDS**

- 8.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality is issued to any official or political office bearer.
- 8.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the written approved policy and processes. Alternatively, the municipality should make arrangements with the service provider that the expenditure be settled directly by the municipality.
- 8.3 While the use of petrol cards or garage cards for municipal vehicles is permitted, it must be utilised in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

## **9. SPONSORSHIPS, EVENTS AND CATERING**

- 9.1 A municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless prior written approval of the accounting officer is obtained.
- 9.2 An accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.
- 9.3 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.

- 9.4 The municipality must not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.
- 9.5 An accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality or by any suppliers or sponsors.
- 9.6 A municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- 9.7 An accounting office may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.

## **10. COMMUNICATION**

- 10.1 A municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers, except for areas where internet connectivity is problematic.
- 10.2 Paragraph 10.1 above does not apply legislative provisions which require the municipality to advertise certain processes in newspapers including public participation processes.
- 10.3 An accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer in the cost containment policy of the municipality.
- 10.4 Newspapers and other related publication for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.
- 10.5 A municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

## **11. CONFERENCES, MEETINGS AND STUDY TOURS**

- 11.1 An accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or

non-governmental institutions held within and outside the border of South Africa taking into account their merits and benefits, costs and available alternatives. Motivations addressing the above must be submitted to the Accounting Officer for approval.

- 11.2 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, an accounting officer or mayor as the case may be, must take the following into account –
  - (a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
  - (b) whether the conference or event addresses relevant concerns of the institution;
  - (c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
  - (d) the availability of funds to meet the expenses related to the conference or event.
- 11.3 An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to the granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 11.4 The benchmark costs referred to in clause 11.3 may not exceed an amount as determined from time to time by National Treasury through a notice. The benchmark cost for attendance of conferences is currently two thousand five hundred rand R2 500.
- 11.5 The amount referred to in clause 11.4 excludes costs related to travel, accommodation and related expenses, but includes-
  - (a) conference or event registration expenses; and
  - (b) any other expenses incurred in relation to the conference or event.
- 11.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 11.7 The accounting officer of a municipality must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.
- 11.8 Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, *inter alia*, where an appropriate venue exists within the municipal jurisdiction.

- 11.9 An accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in clause
- 11.10 A municipality must, where applicable, take advantage of early registration discounts by granting required approvals to attend the conference, event or study tour in advance.

**12. OTHER RELATED EXPENDITURE ITEMS**

- 12.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- 12.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- 12.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 12.4 The municipality must avoid expenditure on elaborate and expensive office furniture.
- 12.5 The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.
- 12.6 The municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.
- 12.7 The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

**13. ENFORCEMENT PROCEDURES**

- 13.1 Failure to implement or comply with this policy may result in any official of the municipality, or political office bearer that authorised or incurred any expenditure contrary to this policy being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

**14. DISCLOSURE OF COST CONTAINMENT MEASURES**

- 14.1 The disclosure of cost containment measures applied by the municipality will be reported to Council on a quarterly basis as part of the in-year budget (Section 71) reports and annual cost savings disclosed in the annual report.
- 14.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The municipal council can refer such reports to an appropriate Council Committee for further recommendations and actions.
- 14.3 The reports referred to in clause 14.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

**15. COMMENCEMENT**

- 15.1 This policy is in line with the Municipal Cost Containment Regulations, 2019, Notice 317 of 2019, Government Gazette No. 42514 and is effective from 1 October 2019.



# **ALFRED DUMA LOCAL MUNICIPALITY**

## **ACCOUNTING POLICIES**

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## **1. BASIS OF PREPARATION**

### **1.1 BASIS OF PRESENTATION**

The financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, except where specified otherwise.

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

A summary of the significant accounting policies, are disclosed below.

Assets, liabilities, revenues and expenses are not offset except when offsetting is required or permitted by a Standard of GRAP.

### **1.2 PRESENTATION CURRENCY**

The financial statements are presented in South African Rand, which is the functional currency of the municipality.

### **1.3 GOING CONCERN ASSUMPTION**

The financial statements are prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

### **1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, is provided in the Statement of Comparison of Budget with Actual Information.

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, with the opening balances have been restated accordingly.

## **2. HOUSING DEVELOPMENT FUND (MHOA)**

The Housing Development Fund (MHOA) was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund (MHOA) can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 3. INTERNAL RESERVES

#### Self Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services, taking into account, claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

### 4. PROPERTY, PLANT AND EQUIPMENT

#### 4.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major

spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 4.2 SUBSEQUENT MEASUREMENT – COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### 4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The annual depreciation rates are based on the following estimated average asset lives: –

| DETAILS                 | YEARS      | DETAILS                         | YEARS  |
|-------------------------|------------|---------------------------------|--------|
| <b>Infrastructure</b>   |            | <b>Other</b>                    |        |
| Roads and Paving        | 40 – 50    | Buildings                       | 50     |
| Servitudes              | Indefinite | Specialised Vehicles            | 3 – 20 |
| Electricity             | 10 – 50    | Other Vehicles                  | 5 – 20 |
| Landfill Sites          | 15         | Office Equipment                | 3 – 10 |
| Stormwater              | 100        | Furniture and Fittings          | 3 – 10 |
| Bridges                 | 60         | Computer Equipment              | 3 – 10 |
| Gravel Roads            | 10         | Containers                      | 8 – 10 |
| Street Furniture        | 3 – 20     | Specialised Plant and Equipment | 5 – 15 |
| <b>Community</b>        |            | Plant and Equipment – Other     | 3 – 20 |
| Buildings               | 50         |                                 |        |
| Recreational Facilities | 15 – 50    |                                 |        |
| Heritage                | Indefinite |                                 |        |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 4.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property,

plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **4.5 INCOMPLETE CONSTRUCTION WORK**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

### **5. INVESTMENT PROPERTY**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **5.1 FAIR VALUE**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

### **6. INTANGIBLE ASSETS**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

If an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item           | Useful life  |
|----------------|--------------|
| Servitudes     | indefinite   |
| Software       | 3 – 10 years |
| Other Software | Indefinite   |

## **7. HERITAGE ASSETS**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

### **7.1 INITIAL RECOGNITION**

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition.

### **7.2 SUBSEQUENT MEASUREMENT**

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses.

### **7.3 DEPRECIATION AND IMPAIRMENT**

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

### **7.4 DERECOGNITION**

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

## **8. IMPAIRMENT OF ASSETS**

### **8.1 CASH GENERATING ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

## 8.2 NON-CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

## **9. INVENTORIES**

### **9.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale in terms of land, and consumable items for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **9.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

## **10. FINANCIAL INSTRUMENTS**

### **10.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **10.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **10.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the

impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **10.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 1 month from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **10.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, less trade discounts, if applicable, and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **10.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

### **11. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **12. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **13. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **14. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### **15. LEASES**

#### **15.1 Finance Leases – The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

## **15.2 Operating Leases – The Municipality as Lessee**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

## **15.3 Operating Leases – The Municipality as Lessor**

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment, where applicable. Rental income is recognized over the lease term.

# **16. REVENUE**

## **16.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## **16.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent

that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognized at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognizing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants, as current liabilities.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **16.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction of RDP Houses. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agent for construction of RDP Houses. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position.

## **17. BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset

acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **18. EMPLOYEE RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

### **Other post-employment benefit obligations**

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

Actuarial valuations are conducted on an annual basis by independent actuaries.

## **19. KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures, use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

### **Trade Receivables**

The municipality assesses its trade receivables for impairment at the end of each financial year for non-collectability. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### **Provisions**

Where Provisions are raised, management uses experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in the note on Provisions.

### **Post Retirement Benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in the note on Retirement Benefit Obligations in the Financial Statements.

#### **Allowance for Doubtful Debts**

On debtors an impairment loss is recognised where there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

#### **Useful Lives of Property, Plant and Equipment**

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

#### **Impairment of Property, Plant and Equipment & Inventory**

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 8 and 9 respectively.

### **20. RELATED PARTIES**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered related parties.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

### **21. COMMITMENTS**

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

## 22. BUDGET INFORMATION

A municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget,

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 July 2020 to 30 June 2021.

The financial statements and the budget are on the same basis of accounting and therefore a comparison with the budgeted amounts for the reporting period are included in the Statement of Comparison of Budget and Actual Amounts.

Comparative information is not required.

## 23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



**ALFRED DUMA LOCAL MUNICIPALITY**

**SUPPLY CHAIN MANAGEMENT POLICY  
FOR INFRASTRUCTURE  
AND DELIVERY MANAGEMENT**

MFMA Circular No 77: Model SCM Policy for Infrastructure Delivery Management provides guidance to municipalities and municipal entities on the establishment of a suitable supply chain management system for infrastructure delivery which is better able to deliver value for money, while minimizing the scope for corruption. The *Model SCM Policy for Infrastructure Delivery Management* which is attached to this circular is issued in terms of Section 168 of the Municipal Finance Management Act of 2003 in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations as a Treasury guideline determining a standard for municipal supply chain management policies. It is linked to the *National Treasury Standard for Infrastructure Procurement and Delivery Management* which establishes:

- a) requirements for the following matters as applied to the supply chain management system for infrastructure delivery:
  - institutional arrangements;
  - demand management;
  - acquisition management;
  - contract management;
  - logistics management;
  - disposal management;
  - reporting of supply chain management information;
  - regular assessment of supply chain management performance; and
  - risk management and internal control; and
- b) a control framework for the planning, design and implementation of infrastructure projects and infrastructure procurement.

This standard for municipal supply chain management policies relating to infrastructure procurement and delivery management, or any modified version of it, when adopted will assist municipalities and municipal entities to better plan and obtain the value for money when undertaking infrastructure projects.

Supply chain management may be defined as *"the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof"*. On the other hand infrastructure is defined as *"immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets"* while infrastructure delivery is defined as *"the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure."* Accordingly, infrastructure delivery management is the supply chain management system for infrastructure.

This policy is aligned with the Supply Chain Management Regulations issued in terms of the Local Government: Municipal Finance Management Act of 2003.

There are unavoidably duplications in supply chain management policies for general goods and services and those for infrastructure delivery management arising from not only regulatory requirements but also an overlap in support functions such as the receipt of bids and advertising of bids. This model policy document may accordingly be issued as a stand-alone policy or as a policy which is supplementary to a municipality's or municipal entity's supply chain management system for general goods and services. Where it is issued as a supplementary policy, text should be replaced with cross references to the overarching policy.

The approach to procurement documentation is significantly different between general goods and services and infrastructure delivery. Documents for general goods and services, are based on the National Treasury General Conditions of Contract (GCC) which focuses on the rights and obligations of the parties in a generic manner and also deals with aspects of the bidding processes. This GCC requires that goods conform to the standards mentioned in the bidding documents and specifications and is used with standard bidding documents which include an invitation to bid, price schedules, local content, certificate of bid independence, declaration of bidders past SCM practices etc. Accordingly, the major variables between documents are the specifications or terms of reference and the evaluation criteria which ensures that bids are awarded on the basis of the lowest price for meeting a minimum standard. Contracts or service level agreements are frequently negotiated after the award of the bid.

In contrast, infrastructure procurement documents are based on a standard approach to the formatting and compilation of procurement documents used in conjunction with flexible standard conditions for the calling for an expression of interest and conditions of tender and a standard form of contract selected from a prescribed list. These standard forms of contract permit different allocations of risk to the parties to a contract and a wide range of pricing strategies to be pursued. This approach to procurement documentation enables procurement strategy and tactics to be exercised both in the awarding and in the performance of a contract in order to realise best value for money outcomes. Very seldom are material changes made in the draft contract which is issued to tenderers during the process of offer and acceptance as the offer is based on the selected allocation of risks and pricing strategies.

There are accordingly significant differences in the approach to bid specification and bid evaluation committees between the SCM system for general goods and services and that for infrastructure as a very different skills sets coupled with contextual knowledge is required. On the other hand, the bid adjudication committee is a governance committee which can deal with submissions emanating from both supply chains. (In any event, in most of the smaller organisations, the membership of this committee would probably not differ significantly if separate bid adjudication committees are established for the different supply chains.)

In order to distinguish between committees used in the two supply chain management systems, the terms procurement documentation, evaluation and tender committee are used in this document for the corresponding bid specification, bid evaluation and bid adjudication committees referred to in Treasury Regulations.

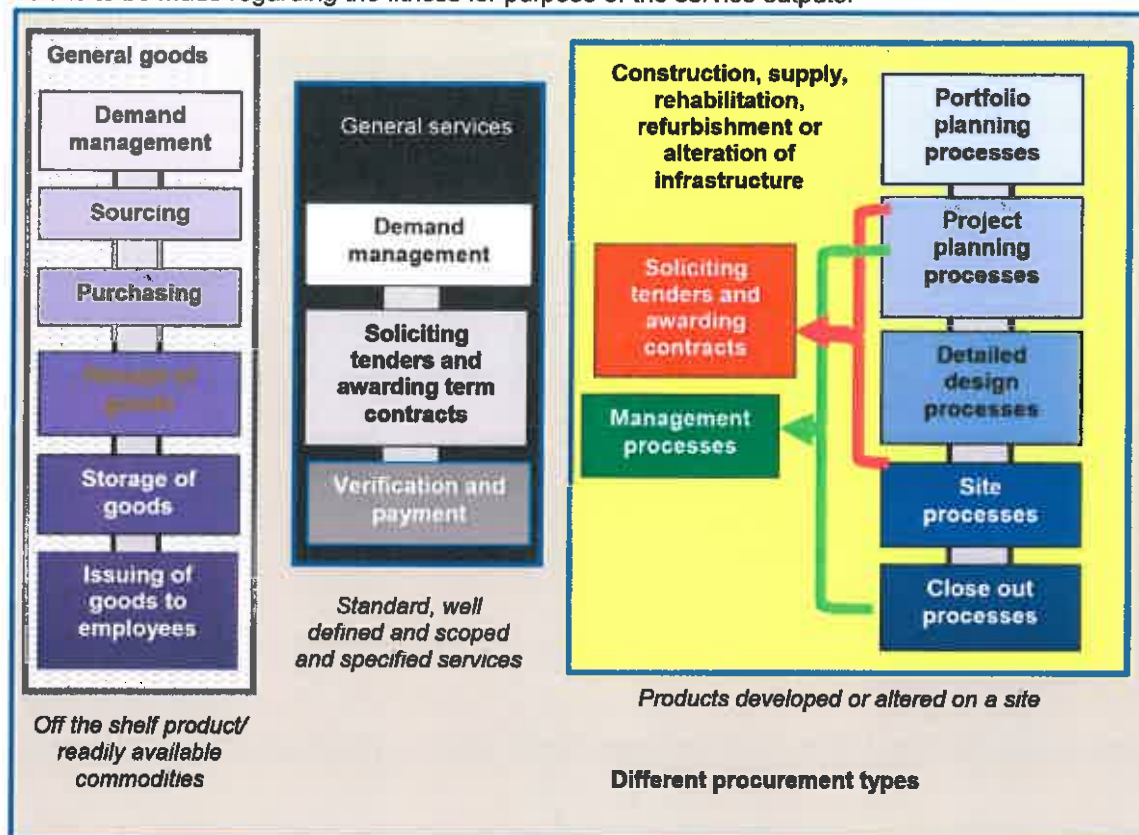
All text in square brackets needs to be populated with the correct data. All footnotes need to be deleted following the completion of the document.

Those responsible for putting in place the municipality's or municipal entity's policy need to review this model policy to ensure that it meets the needs of the municipality or municipal entity and adapt it as necessary so that the policies for both supply chain management systems are aligned.

The Supply Chain Management Regulations issued in terms of the MFMA permit the accounting officer (municipal manager or chief executive) to make use of any Treasury guidelines determining standards for municipal supply chain management policies and to submit to the council or board of directors that guideline standard, or any modified version as a draft policy (see Regulations 2 and 3). The Regulations furthermore require the municipal manager or chief executive to report any deviation from the guideline standard to the National Treasury and the relevant provincial treasury. Accordingly, all departures from this model policy and the *Standard for Infrastructure Procurement and Delivery Management* which is embedded within the policy must be reported to the relevant treasury.

## Preface

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued to employees. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.



In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Procurement is *the process which creates, manages and fulfils contracts*. Procurement deals with activities surrounding contracts. Such processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts. On the other hand, supply chain management (SCM) is *the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof*. Supply chains comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects. Accordingly, supply chain management is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain.

Infrastructure is defined as "immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets" while infrastructure delivery is defined as "the combination of all planning, technical,

*administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure."* Accordingly, infrastructure delivery management contextualises the supply chain management system for infrastructure.

Understandably, there are several overlaps between the supply chain management system for general goods and services and that for infrastructure delivery management. However, the inclusion of control frameworks in the Standard for Infrastructure Procurement and Delivery Management is aimed at expenditure control and a reduction in the gap between what is planned and budget for and what is delivered to ensure that value for money is achieved.

The primary purpose of this document is to embed an infrastructure delivery management system for Alfred Duma Local Municipality which is aligned with the regulatory framework for public sector procurement, supply chain management and expenditure control. It also enables the National Treasury Standard for Infrastructure Procurement and Delivery Management to be implemented.

# **ALFRED DUMA LOCAL MUNICIPALITY's SCM Policy for Infrastructure procurement and delivery management**

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## 1 Scope

This policy establishes the Alfred Duma Local Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Alfred Duma Local Municipality which are stored and issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of any form of land availability agreement;
- d) the leasing or rental of moveable assets; and
- e) public private partnerships.

## 2 Terms, definitions and abbreviations

### 2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

**agent:** person or organization that is not an employee of Alfred Duma Local Municipality that acts on the Alfred Duma Local Municipality's behalf in the application of this document

**authorised person:** the accounting officer or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

**conflict of interest:** any situation in which:

- a) someone in a position of trust has competing professional or personal interests which makes it difficult for him to fulfil his duties impartially,
- b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or
- c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

**contract manager:** person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

**family member:** a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

**framework agreement:** an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

**gate:** a control point at the end of a process where a decision is required before proceeding to the next process or activity

**gateway review:** an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based.

**gratification:** an inducement to perform an improper act

**infrastructure delivery:** the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

**infrastructure procurement:** the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

**maintenance:** the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

**operation:** combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

**order:** an instruction to provide goods, services or any combination thereof under a framework agreement

**organ of state:** an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

**procurement document:** documentation used to initiate or conclude (or both) a contract or the issuing of an order

**principal:** a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

**standard:** the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

**working day:** any day of a week on which is not a Sunday, Saturday or public holiday

## 2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

## 3 General requirements<sup>1</sup>

### 3.1 Delegations

**3.1.1** The Council of the Alfred Duma Local Municipality hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer to:

<sup>1</sup> This clause is required to ensure that the standard is linked to the policy and aligned with the MFMA SCM Regulations.

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and
- d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

**3.1.2** No departure shall be made from the provisions of this policy without the approval of the accounting officer of Alfred Duma Local Municipality.

**3.1.3** The accounting officer shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this the policy and the equivalent policy of any municipal entity under the sole or shared control of the Alfred Duma Local Municipality, to the council of the Alfred Duma Local Municipality.
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the Council, who must then submit the report to the accounting officer of Alfred Duma Local Municipality for submission to the council;
- c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the mayor; and
- d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

### **3.3 Supervision of the infrastructure delivery management unit<sup>2</sup>**

The Infrastructure Delivery Management Unit shall be directly supervised by the Chief Financial Officer.

### **3.4 Objections and complaints<sup>3</sup>**

Persons aggrieved by decisions or actions taken in the implementation of this policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

### **3.5 Resolution of disputes, objections, complaints and queries<sup>4</sup>**

**3.5.1** The Accounting Officer shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the Alfred Duma Local Municipality and other persons regarding:

- a) any decisions or actions taken in the implementation of the supply chain management system;

<sup>2</sup> SCM Regulation 7 which is issued in terms of the MFMA requires each municipality to establish a supply chain management unit to implement its supply chain management policy, which where possible, should operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of Section 82 of the MFMA. There are benefits in establishing SCM units for general goods and services and infrastructure and to delegate the supervision to a person other than the chief financial officer.

<sup>3</sup> This clause aligns with SCM Regulation 49 issued in terms of the MFMA.

<sup>4</sup> This clause aligns with SCM Regulation 50 issued in terms of the MFMA.

- b) any matter arising from a contract awarded within the Alfred Duma Local Municipality's infrastructure delivery management system; or
- c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

**3.5.2** The Supply Chain Manager shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

**3.5.3** The person appointed in terms of 3.5.1 shall:

- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.

**3.5.4** A dispute, objection, complaint or query may be referred to the Kwazulu-Natal Provincial Treasury if:

- a) the dispute, objection, complaint or query is not resolved within 60 days; or
- b) no response is forthcoming within 60 days.

**3.5.5** If the Kwazulu-Natal Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

## **4 Control framework for infrastructure delivery management<sup>5</sup>**

### **4.1 Assignment of responsibilities for approving or accepting end of stage deliverables<sup>6</sup>**

The responsibilities for approving or accepting end of stage deliverables shall be as stated in per the table below.

**Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery**

| Stage |                         | Person assigned the responsibility for approving or accepting end of stage deliverables                 |
|-------|-------------------------|---------------------------------------------------------------------------------------------------------|
| No    | Name                    |                                                                                                         |
| 0     | Project initiation      | Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the initiation report    |
| 1     | Infrastructure planning | Accounting Officer/Person delegated in terms of Section 82 of the MFMA approves the infrastructure plan |

<sup>5</sup> This clause is required to ensure compliance with the requirements of the standard.

<sup>6</sup> The terms "approve" and "accept" have the meanings "officially agree to" and "receive as adequate, valid, or suitable give an affirmative answer to a proposal", respectively. Approvals will typically take place at a senior management level whilst acceptances can be made at a lower level. Approvals and acceptances can be granted by individuals or committees.

Where a municipality or municipal entity implements a project on behalf of an organ of state, acceptance / approval of end of stage deliverables may have to be granted in consultation with such an organisation. Alternatively it may be assigned to a party to an agency agreement developed in accordance with the provisions of clauses 5.2 of the standard. As a result, Table 1 may have to differentiate between own infrastructure and client institution's infrastructure. It may also have to differentiate between the value and type of projects.

|              |                                                          |                                                                                                                                                                                                                                                                                                                                           |
|--------------|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2            | Strategic resourcing                                     | Accounting Officer/Person delegated in terms of Section 82 of the MFMA approves the delivery and / or procurement strategy                                                                                                                                                                                                                |
| 3            | Pre-feasibility                                          | Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the pre-feasibility report                                                                                                                                                                                                                                 |
|              | Preparation and briefing                                 | Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the strategic brief                                                                                                                                                                                                                                        |
| 4            | Feasibility                                              | Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the feasibility report                                                                                                                                                                                                                                     |
|              | Concept and viability                                    | Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the concept report                                                                                                                                                                                                                                         |
| 5            | Design development                                       | Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the design development report                                                                                                                                                                                                                              |
| 6            | Design documentation                                     | 6A Production information<br>Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance                                                                                           |
|              | 6B Manufacture, fabrication and construction information | The contract manager accepts the manufacture, fabrication and construction information                                                                                                                                                                                                                                                    |
| <b>Stage</b> |                                                          | <b>Person assigned the responsibility for approving or accepting end of stage deliverables</b>                                                                                                                                                                                                                                            |
| <b>No</b>    | <b>Name</b>                                              |                                                                                                                                                                                                                                                                                                                                           |
| 7            | Works                                                    | The contract manager certifies completion of the works or the delivery of goods and associated services                                                                                                                                                                                                                                   |
| 8            | Handover                                                 | The owner or end user accepts liability for the works                                                                                                                                                                                                                                                                                     |
| 9            | Package completion                                       | The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract<br>The contract manager certifies final completion in accordance with the provisions of the contract<br>Accounting Officer/Person delegated in terms of Section 82 of the MFMA accepts the close out report |

## 5 Control framework for infrastructure procurement<sup>17</sup>

**5.1** The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

**5.2** The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows: <sup>18</sup>

- a) The Accounting Officer/Person delegated in terms of Section 82 of the MFMA shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

**5.3** The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

## **6 Infrastructure delivery management requirements**

### **6.1 Institutional arrangements**

#### **6.1.1 Committee system for procurement<sup>19</sup>**

##### **6.1.1.1 General**

**6.1.1.1.1** A committee system comprising the documentation committee, evaluation committee and tender committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

**6.1.1.1.2** The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

<sup>17</sup> This clause is required to ensure compliance with the requirements of the standard.

<sup>18</sup> SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. It is not, however, a requirement for such a committee to deal with quotations.

<sup>19</sup> SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. A municipality of a municipal entity may require that the tender committee (bid adjudication committee) also deal with quotations

The principle of segregation (an internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task) is dealt with the committee system in the standard as follows: □ procurement gate 3: a technical evaluation of procurement documents and an approval of such documentation;

- procurement gate 5: a technical evaluation of submissions and an authorization to proceed with the next phase of a procurement process; and
- procurement gate 6: a tender evaluation and a recommendation to award a contract.

**6.1.1.1.3** The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.

**6.1.1.1.4** No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee.

**6.1.1.1.5** Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

**6.1.1.1.6** Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

##### **6.1.1.2 Procurement documentation committee**

**6.1.1.2.1** The Accounting Officer shall appoint in writing on a procurement by procurement basis:

- a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the standard; and
- b) the members of the procurement documentation committee.

**6.1.1.2.2** The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Alfred Duma Local Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

**6.1.1.2.3** No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

Table

**2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold**

| Activity |                                  | Sub-Activity (see Table 3 of the standard) |                                                                                                                                                                      | Key action                                                                                                                                     | Person assigned responsibility to perform key action                    |
|----------|----------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 1*       | Establish what is to be procured | 1.3<br>PG1                                 | Obtain permission to start with the procurement process                                                                                                              | Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.                 | Executive Director: Technical and Infrastructure Services               |
| 2*       | Decide on procurement strategy   | 2.5<br>PG2                                 | Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure | Confirm selection of strategies so that tender offers can be solicited                                                                         | Accounting Officer/Designated person in terms of Section 82 of the MFMA |
| 3        | Solicit tender offers            | 3.2<br>PG3                                 | Obtain approval for procurement documents                                                                                                                            | Grant approval for the issuing of the procurement documents                                                                                    | Procurement documentation committee                                     |
|          |                                  | 3.3<br>PG4                                 | Confirm that budgets are in place                                                                                                                                    | Confirm that finance is available for the procurement to take place                                                                            | Chief Financial Officer                                                 |
| 4        | Evaluate tender offers           | 4.2<br>PG5                                 | Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure                                   | Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process                             | Bid Evaluation Committee                                                |
|          |                                  | 4.7<br>PG6                                 | Confirm recommendations contained in the tender evaluation report                                                                                                    | Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award | Bid Adjudication Committee                                              |
| 5        | Award contract                   | 5.3<br>PG7                                 | Award contract                                                                                                                                                       | Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract                                        | Accounting Officer                                                      |
|          |                                  | 5.5<br>GF1                                 | Upload data in financial management and payment system                                                                                                               | Verify data and upload contractor's particulars and data associated with the contract or order                                                 | Chief Financial Officer                                                 |

\* Applies only to goods and services not addressed in a procurement strategy developed during stage 2 (strategic resourcing) of the control framework for infrastructure delivery management

Table

| Activity |                                                               | Sub-Activity |                                                                                                                                                                                                                                          | Key action                                                                                                                | Person assigned responsibility to perform key action                    |
|----------|---------------------------------------------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 6        | Administer contracts and confirm compliance with requirements | 6.4<br>PG8A  | Obtain approval to waive penalties or low performance damages.                                                                                                                                                                           | Approve waiver of penalties or low performance damages                                                                    | Accounting Officer                                                      |
|          |                                                               | 6.5<br>PG8B  | Obtain approval to notify and refer a dispute to an adjudicator                                                                                                                                                                          | Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law | Accounting Officer                                                      |
|          |                                                               | 6.6<br>PG8C  | Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage <sup>21</sup> | Approve amount of time and cost overruns up to the threshold                                                              | Accounting Officer                                                      |
|          |                                                               | 6.7<br>PG8D  | Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively           | Approve amount of time and cost overruns above a the threshold                                                            | Accounting Officer                                                      |
|          |                                                               | 6.8<br>PG8E  | Obtain approval to cancel or terminate a contract                                                                                                                                                                                        | Approve amount                                                                                                            | Accounting Officer/Designated person in terms of Section 82 of the MFMA |
|          |                                                               | 6.9<br>PG8F  | Obtain approval to amend a contract                                                                                                                                                                                                      | Approve proposed amendment to contract                                                                                    | Accounting Officer/Designated person in terms of Section 82 of the MFMA |

<sup>21</sup> Stepped thresholds leading up to the 20% and 30% values given in PG8D may be necessary to manage cost and time overruns, respectively, the principle being that approval to exceed these percentages needs to be granted at a more senior level with each increase. For example, the increases for cost overruns could be as follows:

- ≤ 2,5 % - contract manager;
- 2,5 to 10% - project director
- > 10% - appropriately delegated authority

Table

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**3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement**

| Activity |                                                                                                                                                   | Key action                                                                                                                                                                   | Person assigned responsibility to perform key action                    |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 1 FG1    | Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work | Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited                                                 | Chief Financial Officer                                                 |
| 3 FG2    | Obtain approval for procurement documents                                                                                                         | Grant approval for the Issuing of the procurement documents                                                                                                                  | Accounting Officer/Designated person in terms of Section 82 of the MFMA |
| 4 FG3    | Confirm that budgets are in place                                                                                                                 | Confirm that finance is available so that the order may be issued                                                                                                            | Chief Financial Officer                                                 |
| 6 FG4    | Authorise the issuing of the order                                                                                                                | If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order | Supply Chain Manager                                                    |

### 6.1.1.3 Evaluation committee

6.1.1.3.1 The Accounting Officer shall appoint on a procurement by procurement basis in writing:

- a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and
- b) the members of the evaluation committee.

6.1.1.3.2 The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Alfred Duma Local Municipality with requisite skills. Other members shall include a supply chain management practitioner<sup>7</sup> and, where relevant, include an official from the department requiring infrastructure delivery.

6.1.1.3.3 The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax and municipal rates and taxes compliance status;
- c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;
- d) the Compulsory Declaration has been completed; and
- e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.4 No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the procurement documentation committee or a family member or associate of such a member, may be considered by the evaluation committee.

6.1.1.3.5 The chairperson of the evaluation committee shall promptly notify the Accounting Officer of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

### 6.1.1.4 Tender Adjudication Committee<sup>8</sup>

6.1.1.4.1 The tender committee shall comprise the following persons or their mandated delegate:<sup>9</sup>

- a) The Chief Financial Officer who shall be the chairperson;
- b) The members of the Adjudication Committee shall consist of at least four (4) senior managers of the municipality

<sup>7</sup> A supply chain management practitioner in the context of infrastructure delivery includes a built environment professional

<sup>8</sup> Where no separate tender committee is established, this section should simply refer to the bid adjudication committee which is set up to deal with tenders with both the supply chain for general goods and services and for infrastructure

<sup>9</sup> The chairperson needs to be an employee of the municipality or the municipal entity with requisite skills. Other members should be employees of the municipality or the municipal entity and include at least four senior managers including the chief financial officer, a supply chain management practitioner and a technical expert in the relevant field, if such municipality or municipal entity has such an expert.

**6.1.1.4.2** No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

**6.1.1.4.3** The tender committee shall:

- a) consider the report and recommendations of the evaluation committee and:
  - 1) verify that the procurement process which was followed complies with the provisions of this document;
  - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
  - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
  - 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

**6.1.1.4.4** The tender committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

**6.1.1.4.5** The tender committee shall consider the merits of an unsolicited offer and make a recommendation to the Accounting Officer.

**6.1.1.4.6** The tender committee shall report to the Accounting Officer any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

**6.1.1.4.7** The tender committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

**6.1.1.4.8** The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the Kwazulu-Natal Provincial Treasury shall be informed where such tenderers are disregarded.

## **6.1.2 Actions of an authorised person relating to the award of a contract or an order**

**6.1.2.2** The authorised person shall immediately notify the Accounting Officer if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and the Kwazulu-Natal Provincial Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.

### 6.1.2.3 Issuing of an order

The authorised person shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the evaluation committee or the Accounting Officer/Designated person in terms of Section 82 of the MFMA as relevant, and either:

- a) authorise the issuing of an order in accordance with the provisions of clause 4.25 of the standard; or
- b) decide not to proceed or to start afresh with the process.

### 6.1.3 Conduct of those engaged in infrastructure delivery<sup>10</sup>

#### 6.1.3.1 General requirements

**6.1.3.1.1** All personnel and agents of Alfred Duma Local Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

**6.1.3.1.2** All personnel and agents engaged in Alfred Duma Local Municipality's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) be fair and impartial in the performance of their functions;
- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;

<sup>10</sup> Sub clause 5.1 d) of the standard requires that the municipality's or municipal entity's policy establish ethical standards for those involved in the procurement and delivery of infrastructure. This clause is aligned with the provisions of SCM Regulation 46 (Ethical standards) issued in terms of the MFMA and National Treasury's Code of Conduct for Supply Chain Management Practitioners

- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist Alfred Duma Local Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and
- m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

**6.1.3.1.2** An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

#### **6.1.3.2 Conflicts of interest**

**6.1.3.2.1** The employees and agents of Alfred Duma Local Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

- a) disclose in writing to the employee of the Alfred Duma Local Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of Alfred Duma Local Municipality proprietary information.

**6.1.3.2.2** The employees and agents of Alfred Duma Local Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

**6.1.3.2.3** Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Alfred Duma Local Municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) Alfred Duma Local Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

#### **6.1.3.3 Evaluation of submissions received from respondents and tenderers**

**6.1.3.3.1** The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;

- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Alfred Duma Local Municipality.

**6.1.3.3.2** The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Alfred Duma Local Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

**6.1.3.3.3** Alfred Duma Local Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

#### **6.1.3.4 Non-disclosure agreements**

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Alfred Duma Local Municipality's confidential information and interests.

#### **6.1.3.5 Gratifications, hospitality and gifts**

**6.1.3.5.1** The employees and agents of Alfred Duma Local Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

**6.1.3.5.2** The employees and agents of Alfred Duma Local Municipality as well as their family members of associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

**6.1.3.5.3** The employees and agents of Alfred Duma Local Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

**6.1.3.5.4** All employees and agents of Alfred Duma Local Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and
- e) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350 unless they have declared them to the Accounting Officer.

**6.1.3.5.5** Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

**6.1.3.5.6** Employees and agents of Alfred Duma Local Municipality shall without delay report to the Accounting Officer any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

#### **6.1.3.6 Reporting of breaches**

Employees and agents of Alfred Duma Local Municipality shall promptly report to the Accounting Officer any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

#### **6.1.4 Measures to prevent abuse of the infrastructure delivery system<sup>11</sup>**

The Accounting Officer shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the National Treasury and the Kwazulu-Natal Provincial Treasury if those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
  - 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
  - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

#### **6.1.5 Awards to persons in the service of the state<sup>12</sup>**

**6.1.5.1** Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal council, any provincial legislature, or the National Assembly or the National Council of Provinces;
- b) a member of the board of directors of any municipal entity;
- c) an official of any municipality or municipal entity;
- d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

<sup>11</sup> The requirement to prevent abuse of the supply chain management system is aligned with the provisions of SCM Regulation 38 issued in terms of the MFMA.

<sup>12</sup> The clause aligns with SCM Regulation 44 issued in terms of the MFMA.

- e) a member of the accounting authority of any national or provincial public entity; or
- f) an employee of Parliament or a provincial legislature.

**6.1.5.2** The notes to the annual financial statements of the Alfred Duma Local Municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

#### **6.1.6 Collusive tendering<sup>13</sup>**

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be reejected.

#### **6.1.7 Placing of contractors under restrictions<sup>30</sup>**

**6.1.7.1** If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards Alfred Duma Local Municipality; or
- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of Alfred Duma Local Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

a Chief Financial Officer shall prepare a report on the matter and make a recommendation to the Accounting Officer for placing the contractor or any of its principals under restrictions from doing business with the Alfred Duma Local Municipality.

**6.1.7.2** The Accounting Officer may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to Alfred Duma Local Municipality for a period of time.

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<sup>13</sup> The standard requires the inclusion of the Compulsory Declaration in all procurement documents. This sub-clause aligns with SCM Regulation 44 issued in terms of the MFMA and SANS 10845-3 which is incorporated by reference in the standard. <sup>30</sup>  
This sub-clause is aligned with the requirements of SCM Regulation 38 issued in terms of the MFMA.

### 6.1.7.3 The Supply Chain Manager shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Alfred Duma Local Municipality who are engaged in procurement processes; and
- b) notify the National Treasury and the Kwazulu-Natal Provincial Treasury, if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

## 6.1.8 Complaints

**6.1.8.1** All complaints regarding the Alfred Duma Local Municipality's infrastructure delivery management system shall be addressed to the Accounting Officer. Such complaints shall be in writing.

**6.1.8.2** The Supply Chain Management Section, the municipality's Legal Section and the affected Department shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Accounting Officer who will decide on what action to take.

## 6.2 Acquisition management

### 6.2.1 Unsolicited proposal<sup>14</sup>

**6.2.1.1** The Alfred Duma Local Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for the Alfred Duma Local Municipality;
- d) the offer is in writing and clearly sets out the proposed cost;
- e) the person who made the offer is the sole provider of the goods or service; and
- f) the Accounting Officer finds the reasons for not going through a normal tender processes to be sound.

**6.2.1.2** The Accounting Officer may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:

- a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the Alfred Duma Local Municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;
- b) the Alfred Duma Local Municipality has obtained comments and recommendations on the offer from the National Treasury and the Kwazulu-Natal Provincial Treasury;

<sup>14</sup> The clause aligns with SCM Regulation 37 issued in terms of the MFMA.

- c) the tender committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and the Kwazulu-Natal Provincial Treasury; and
- d) the provisions of 6.2.1.3 are complied with.

**6.2.1.3** The Accounting Officer shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the Kwazulu-Natal Provincial Treasury and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

## **6.2.2 Tax and rates compliance<sup>15</sup>**

### **6.2.2.1 SARS tax clearance**

**6.2.2.1.1** No contract may be awarded or an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

**6.2.2.1.2** In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

**6.2.2.1.3** No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of Alfred Duma Local Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

**6.2.2.1.4** Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to the Accounting Officer that it intends challenging its tax compliance status with SARS,

- a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 7 working days after being duly notified of its non-compliant status;
- b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 7 working days after being duly notified of its non-compliant status;
- c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a noncompliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

**6.2.2.1.5** The Alfred Duma Local Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e).

<sup>15</sup> This sub-clause aligns with the provisions of SCM Regulation 43 issued in terms of the MFMA. .

### 6.2.2.2 Municipal rates and taxes<sup>16</sup>

No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

### 6.2.3 Declarations of interest

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Alfred Duma Local Municipality or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

### 6.2.4 Invitations to submit expressions of interest or tender offers

**6.2.4.1** All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Alfred Duma Local Municipality's website and on the National Treasury eTender Publication Portal.<sup>17</sup> Advertisements shall be placed by a Supply Chain Management Practitioner.

**6.2.4.2** Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by a member of the Supply Chain Management Bid Specification Committee.

**6.2.4.3** Where deemed appropriate by the Accounting Officer an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person. Advertisements shall be placed by a member of the Bid Specification Committee.

**6.2.4.4** Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the Accounting Officer depending on the amount and the term of the contract.

**6.2.4.5** Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

### 6.2.5 Publication of submissions received and the award of contracts<sup>35</sup>

**6.2.5.1** The Accounting Officer shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT on the municipality's or municipal entity's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

**6.2.5.2** The Accounting Officer shall publish within 7 working days of the award of a contract the following on the Alfred Duma Local Municipality's website.

<sup>16</sup> This subclause aligns with the provisions of SCM Regulation 38 issued in terms of the MFMA.

<sup>17</sup> This subclause aligns with National Treasury Instruction No 1 of 2015/2016 – Advertisement of bids and the publication of awards on the eTender Publication Portal. <sup>35</sup> This subclause aligns with National Treasury Instruction No 1 of 2015/2016 – Advertisement of bids and the publication of awards on the eTender Publication Portal.

- a) the contract number;
- b) contract title;
- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;
- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

**6.2.5.3** The Accounting Officer shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by a Supply Chain Management Practitioner.

**6.2.5.4** The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made by placed by a Supply Chain Management Practitioner.

## **6.2.6 Disposal committee**

**6.2.6.1** The Accounting Officer shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

**6.2.6.2** The disposal panel shall comprise not less than three people. The chairperson shall be an employee of Alfred Duma Local Municipality.

**6.2.6.3** The disposal committee shall make recommendations to the Accounting Officer who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

## **6.3 Reporting of infrastructure delivery management information**

Accounting Officer/Designated person in terms of Section 82 of the MFMA shall submit any reports required in terms of the standard to the National Treasury or the Kwazulu-Natal Provincial Treasury.

# **7 Infrastructure procurement**

## **7.1 Usage of procurement procedures<sup>18</sup>**

The Alfred Duma Local Municipality shall not apply the following procedures:

Any procedures that are not in line with the MFMA, Supply Chain Regulations or any other forms of legislative instructions issued by the National Treasury.

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<sup>18</sup> Delete this clause if there are no restriction. Amend if there are specific circumstance under which a procurement procedure is to be used.

## 7.2 Procurement documents

### 7.2.1 The forms of contract that may be used are as follows:

Only forms of contracts that are issued by National Treasury and the Construction Industry Development Board (CIDB) shall be utilised.

**7.2.2** The Alfred Duma Local Municipality's pre-approved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by the Accounting Officer prior to being issued for tender purposes.

**7.2.3** Disputes arising from the performance of a contract shall be finally settled in a South African court of law.<sup>19</sup>

**7.2.5** The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

- a) consultancy services;<sup>20</sup> and
- b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.<sup>21</sup>

## 7.3 Developmental procurement policy<sup>22</sup>

The following specific goals shall be proposed:

Goals will be achieved as per the Alfred Duma Local Municipality's Economic Development Policy.

## 7.4 Payment of contractors<sup>23</sup>

The Alfred Duma Local Municipality shall settle all accounts within 30 days of invoice or statement as provided for in the contract.

## 7.5 Approval to utilise specific procurement procedures<sup>24</sup>

**7.5.1** Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

- a) The Accounting Officer shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
- b) The Sector Department shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and

<sup>19</sup> This sub-clause aligns with SCM Regulation 21 issued in terms of the PFMA.

<sup>20</sup> The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA.

<sup>21</sup> The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA.

<sup>22</sup> State specific goals that may be promoted.

<sup>23</sup> The Section 65 of the MFMA requires municipal manager or chief executives to settle all contractual obligations and pay all money owing within 30 days of receiving the relevant statement or invoice.

<sup>24</sup> This clause is necessary to enable the standard to be implemented.

- c) the proposal procedure using the two-envelope system, the proposal procedure using the two stage system or the competitive negotiations procedure<sup>25</sup>.

**7.5.2** The person authorised to pursue a negotiated procedure in an emergency is the Accounting Officer/Designated person in terms of Section 82 of the MFMA.

## **7.6 Receipt and safeguarding of submissions<sup>26</sup>**

**7.6.1** A dedicated and clearly marked tender box shall be made available to receive all submissions made.<sup>47</sup>

**7.6.2** The tender box shall be fitted with two locks and the keys kept separately by two persons from Internal Audit and Supply Chain Management. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

## **7.7 Opening of submissions<sup>27</sup>**

**7.7.1** Submissions shall be opened by an opening panel comprising two people nominated by the Accounting Officer/Designated person in terms of Section 82 of the MFMA who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

**7.7.2** The opening panel shall open the tender box at the stipulated closing time and:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) return submissions unopened and suitably annotated where:
  - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
  - 2) submissions were submitted by a method other than the stated method,
  - 3) submissions were withdrawn in accordance with the procedures contained in SANS 108453; and.
  - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;
- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;
- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

<sup>25</sup> 7.5.1 c) is an optional statement and needs to be deleted if this control is not required.

<sup>26</sup> This section may not be necessary if the policy for general goods and services already covers these requirements. <sup>47</sup> Modify as necessary. Preferably describe the location and accessibility of the box.

<sup>27</sup> This section may not be necessary if the policy for general goods and services already covers these requirements.

**7.7.3** Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

**7.7.4** Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

**7.7.5** Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

## **7.8 Use of another organ of state's framework agreement<sup>28</sup>**

The Alfred Duma Local Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The Accounting Officer shall make the necessary application to that organ of state to do so.

## **7.9 Insurances<sup>29</sup>**

**7.9.1** Contractors shall be required to take out all insurances required in terms of the contract.<sup>51</sup>

**7.9.2** The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by the Accounting Officer.

**7.9.3** Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

**Table 4: Minimum insurance cover<sup>30</sup>**

| Type of insurance                                                                                                                                                                                                                                                         | Value                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract | Not less than R20 million                                                                                                                                              |
| Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property                                                           | Not less than R10 million                                                                                                                                              |
| Professional indemnity insurance                                                                                                                                                                                                                                          | geotechnical, civil and structural engineering: R5,0 million<br>electrical, mechanical and engineering: R3,0 million<br>architectural: R5,0 million other R3,0 million |

**7.9.4** The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by the Accounting Officer.

<sup>28</sup> This clause aligns with SCM Regulation 32 issued in terms of the MFMA and clause 7.3 of the Standard.

<sup>29</sup> Align with the manner in which the municipality or municipal entity wishes to manage risk. <sup>51</sup>  
Alternatively state that the insurances shall be principal or employer controlled.

<sup>30</sup> Modify as necessary

**7.9.5 SASRIA Special Risk Insurance** in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

**7.9.5 Professional service appointments** shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the Accounting Officer in relation to the nature of the service that they provide.

**7.9.6 Alfred Duma Local Municipality** shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

**7.9.7** Where payment is to be made in multiple currencies, either the contractor or Alfred Duma Local Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

## **7.10 Written reasons for actions taken**

**7.10.1** Written reasons for actions taken shall be provided by the Accounting Officer.

**7.10.2** The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

- a) SANS 10845-3, *Construction procurement - Part 3: Standard conditions of tender*, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
- b) SANS 10845-4, *Construction procurement - Part 4: Standard conditions for the calling for expressions of interest*;

as to why a tenderer was not considered for the award of a contract or not awarded a contract.

**7.10.3** Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

## **7.11 Request for access to information<sup>31</sup>**

**7.11.1** Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the Alfred Duma Local Municipality's Information Manual which establishes the procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of Alfred Duma Local Municipality.

**7.11.2** Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

## **ADOPTION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT.**

The Supply Chain Management Policy for Infrastructure Procurement and Delivery Management was adopted by Council on 29 August 2019.

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<sup>31</sup> Amend as necessary

# Annexure 17

1

Municipality:

Alfred Duma

Table A8 - Cash backed reserves/accumulated surplus reconciliation- PT Assessment\*

| Description                                | Table A8<br>Council Tabled<br>Budget | Treasury<br>Calculation | PT<br>Comments:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------|--------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>R thousand</b>                          |                                      |                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Cash and investments available</b>      |                                      |                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Cash/cash equivalents at the year end      | 271 568                              | 277 964                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Other current investments > 90 days        | -                                    | -                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Non current assets - Investments           | -                                    | -                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Cash and investments available:</b>     | <b>271 568</b>                       | <b>277 964</b>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Application of cash and investments</b> |                                      |                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Unspent conditional transfers              | 53 391                               | 40 992                  | All the grants as per the 2018/19 AFS except for the Department of Housing grant were planned to be spent in 2019/20 and were included in Tables B4 and B5 of the 2019/20 Adjustments Budget therefore the Unspent conditional grants should equate to the unspent Department of Housing grant as per the 2018/19 of R41 million as all the grant allocations as per the 2020/21 financial year are planned to be fully spent. Unspent conditional grants therefore appear to be overstated by R12.4 million. <b>Response:</b> Noted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Unspent borrowing                          | 5 548                                | -                       | The municipality populated an amount of R5.5 million as Unspent borrowing for which supporting documents were not provided. Unspent borrowing therefore appears to be overstated by R5.5 million. <b>Response:</b> This is the amount budgeted for loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Statutory requirements                     | -                                    | -                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Other working capital requirements         | (26 996)                             | 574                     | Working capital does not appear to be reasonable due to the following:<br>-Gross consumer debtors is projected to be R653.8 million based on Consumer debtors as per the 2018/19 AFS, billed revenue and receipts as per the 2019/20 Adjustments Budget and the 2020/21 Draft Budget whilst the municipality reflected R570.8 million in Table SA3.<br>-The Provision for debt impairment is projected to be R376.2 billion based on the Provision for debt impairment as a percentage of Consumer debtors as per the 2018/19 AFS whilst the municipality reflected R319.7 million in Table SA3.<br>-The Net consumer debtors is therefore projected to be R277.5 million as opposed to R251.2 million in Table SA3.<br>-The debtors collection rate as per Table A8 is 85.1 percent which is higher than collection rate of 84.6 percent as per the 2018/19 AFS.<br>-Trade and other payables is projected to be R186.8 million as per Table SA3 which does not appear reasonable in relation to Trade and other payables as per the 2018/19 AFS and accrued expenditure and payments as per the 2019/20 Adjustments Budget and the 2020/21 Draft Budget. The Trade and other payables as per Table SA3 of R186.8 million therefore appears to be understated as compared to the recalculated Trade and other payables of R235.5 million.<br>-The recalculated Other capital requirements as per Provincial Treasury therefore indicates a Shortfall of R574 000 as opposed to the Surplus of R27 million as reflected in Table A8. <b>Response:</b> Noted. This will be reviewed with the final budget |

Municipality: Alfred Duma

Table A8 - Cash backed reserves/accumulated surplus reconciliation- PT Assessment

| Description                                | Table A8<br>Council Tabled<br>Budget | Treasury<br>Calculation | PT<br>Comments:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------|--------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>R thousand</b>                          |                                      |                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Other provisions:                          | 94 075                               | 129 811                 | <p>The municipality has total Provisions of R129.8 million as per 2018/19 AFS which comprises of the following:</p> <ul style="list-style-type: none"> <li>- Other Provisions (Current): R3.2 million;</li> <li>- Retirement Benefit Obligation: Current R2.8 million;</li> <li>- Long Term Provisions R73.3 million;</li> <li>- Retirement Benefit Obligation: Non - Current R50.6 million.</li> </ul> <p>Other provisions therefore appear to be understated by R35.7 million.<br/><b>Response:</b> Noted. This will be reviewed with the final budget</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Long term investments committed            | -                                    | -                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Reserves to be backed by cash/investments  | 48 715                               | 33 066                  | <p>Reserves to be backed by cash/investments of R48.7 million appears to be overstated when compared to the 2018/19 Audited AFS as the municipality has a Municipal Housing Operating Account of R33.1 million.<br/><b>Response:</b> Noted. This will be reviewed with the Final Budget</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Total Application of cash and investments: | 174 731                              | 204 443                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Surplus(shortfall)                         | 96 836                               | 73 521                  | <p>The closing Cash and cash equivalents balance as per the 2020/21 Draft Budget appears to be understated due to the following matters:</p> <ul style="list-style-type: none"> <li>- The opening Cash and cash equivalents balance appears to be understated by R6.6 million due to the matters noted in the 2019/20 Adjustments Budget.</li> <li>- The cash inflow from Property rates appears to be understated by R871 000 based on the collection rate of 81.4 percent as per the 2018/19 AFS.</li> <li>- The cash inflow from Service charges appears to be understated by R773 000 based on the collection rate of 97.8 percent for Service charges - Electricity and 49.9 for Service charges - Refuse revenue as per the 2018/19 AFS.</li> <li>- The cash inflow from Other revenue appears to be overstated by R1.8 million in relation to a collection rate of 10.8 percent for Rentals of facilities and equipment, 11.1 percent for Fines, penalties and forfeits and 100 percent for Licences and permits, Agency services and Other revenue.</li> <li>- The cash inflow from Transfers and Subsidies – Operational appears to be understated by R1.5 million based on the 2020 DoRB and Provincial Gazette.</li> <li>- The cash inflow from Transfers and Subsidies – Capital appears to be understated by R44.5 million based on the 2020 DoRB and Provincial Gazette.</li> </ul> |

Municipality: ALFRED DUMA

Table A8 - Cash backed reserves/accumulated surplus reconciliation- PT Assessment

| Description<br>R thousand | Table A8<br>Council Tabled<br>Budget | Treasury<br>Calculation | PT<br>Comments:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------|--------------------------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           |                                      |                         | <p>The municipality populated negative R923 000 as Proceeds on disposal of PPE which does not appear to correct as proceeds cannot be negative. The cash outflow for Proceeds on disposal of PPE appears to be overstated by R923 000.</p> <ul style="list-style-type: none"> <li>- Payments for Capital Assets appears to be understated by R46.4 million in relation to Capital expenditure of R76.7 million as per Table A5, the INEP allocation of R6.1 million and the Human Settlement Allocation of R46.4 million.</li> <li>- Repayment of Borrowing appears to be understated by R623 000 in relation to the Current portion of Borrowings as per the 2018/19 AFS.</li> <li>- The Other working capital requirements Surplus in Table A8 appears to be understated by R27.6 based on the recalculated Trade and receivables, Provision for debt impairment, Debtors collection rate and Trade and other payables.</li> <li>- Other provisions appear to be understated by R35.7 million in relation to the current portion of the Provisions as per the 2018/19 AFS.</li> <li>- Reserves to be backed by cash /investment appear to be overstated by R15.6 million in relation to the Municipal Housing Operating Account as per the 2018/19 AFS of R33.1 million.</li> </ul> <p>As a result of the above matters, the recalculated Table A8 reflects a Surplus of R73.5 million as opposed to the Surplus of R96.8 million as per the Council approved Budget Table A8.</p> <p>Notwithstanding the variances noted above, the budget for the 2020/21 financial year appears to be funded. It is noted with concern that the municipality has reflected a decrease in cash held for both the 2019/20 and 2020/21 financial years implying that the municipality is not generating sufficient cash in the 2019/20 and 2020/21 financial years to cover expenditure therefore the municipality is reducing its cash reserves. The continuous decrease in cash reserves is not sustainable and would result in cash flow difficulties in the future and may impact of the funding position in the future. <b>Response:</b> The comments of Provincial Treasury are noted, hence the municipality's approach that the Council funded portion of the capital budget be kept to a minimum.</p> |

# Annexure 18

1

KZN238 Service Delivery Standards\_2021\_Y

| Standard                                                                                                                                                   | Description | Service Level                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------|
| <b>Solid Waste Removal</b>                                                                                                                                 |             |                                                                                                        |
| Premise based removal (Residential Frequency)                                                                                                              |             | Once a week                                                                                            |
| Premise based removal (Business Frequency)                                                                                                                 |             | Daily/weekly                                                                                           |
| Bulk Removal (Frequency)                                                                                                                                   |             | Bi weekly/daily                                                                                        |
| Removal Bags provided(Yes/No)                                                                                                                              |             | No                                                                                                     |
| Garden refuse removal Included (Yes/No)                                                                                                                    |             | Yes                                                                                                    |
| Street Cleaning Frequency in CBD                                                                                                                           |             | Daily                                                                                                  |
| Street Cleaning Frequency in areas excluding CBD                                                                                                           |             | Daily                                                                                                  |
| How soon are public areas cleaned after events (24hours/48hours/longer)                                                                                    |             | 24hrs                                                                                                  |
| Clearing of illegal dumping (24hours/48hours/longer)                                                                                                       |             | 24hrs                                                                                                  |
| Recycling or environmentally friendly practices(Yes/No)                                                                                                    |             | Yes                                                                                                    |
| Licensed landfill site(Yes/No)                                                                                                                             |             | Yes                                                                                                    |
| <b>Water Service</b>                                                                                                                                       |             |                                                                                                        |
| Water Quality rating (Blue/Green/Brown/NO drop)                                                                                                            |             | n/a                                                                                                    |
| Is free water available to all? (All/only to the indigent consumers)                                                                                       |             | n/a                                                                                                    |
| Frequency of meter reading? (per month, per year)                                                                                                          |             | n/a                                                                                                    |
| Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)                                                  |             | n/a                                                                                                    |
| On average for how long does the municipality use estimates before reverting back to actual readings? (months)                                             |             | n/a                                                                                                    |
| <i>Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)</i>                             |             | n/a                                                                                                    |
| One service connection affected (number of hours)                                                                                                          |             | n/a                                                                                                    |
| Up to 5 service connection affected (number of hours)                                                                                                      |             | n/a                                                                                                    |
| Up to 20 service connection affected (number of hours)                                                                                                     |             | n/a                                                                                                    |
| Feeder pipe larger than 800mm (number of hours)                                                                                                            |             | n/a                                                                                                    |
| What is the average minimum water flow in your municipality?                                                                                               |             | n/a                                                                                                    |
| Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)                                            |             | n/a                                                                                                    |
| How long does it take to replace faulty water meters? (days)                                                                                               |             | n/a                                                                                                    |
| Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)                                                              |             | n/a                                                                                                    |
| <b>Electricity Service</b>                                                                                                                                 |             |                                                                                                        |
| What is your electricity availability percentage on average per month?                                                                                     |             | Average Notified Maximum Demand is 43.5 MVA                                                            |
| Do your municipality have a ripple control in place that is operational? (Yes/No)                                                                          |             | No                                                                                                     |
| How much do you estimate is the cost saving in utilizing the ripple control system?                                                                        |             | N/A                                                                                                    |
| What is the frequency of meters being read? (per month, per year)                                                                                          |             | Meters Read every month                                                                                |
| Are estimated consumption calculated at consumption over (two month's/three month's/longer period)                                                         |             | six month period/or longer                                                                             |
| On average for how long does the municipality use estimates before reverting back to actual readings? (months)                                             |             | 1 month                                                                                                |
| Duration before availability of electricity is restored in cases of breakages (Immediately/one day/two days/longer)                                        |             | same day                                                                                               |
| Are accounts normally calculated on actual readings? (Yes/no)                                                                                              |             | Yes                                                                                                    |
| Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)                                            |             | No                                                                                                     |
| How long does it take to replace faulty meters? (days)                                                                                                     |             | 3 Days                                                                                                 |
| Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)                                                            |             | Yes                                                                                                    |
| How effective is the action plan in curbing line losses? (Good/Bad)                                                                                        |             | Good                                                                                                   |
| How soon does the municipality provide a quotation to a customer upon a written request? (days)                                                            |             | 7 Days                                                                                                 |
| How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)                              |             | 14 Days                                                                                                |
| How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)          |             | 30 Days                                                                                                |
| How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)         |             | 30 Days                                                                                                |
| <b>Sewerage Service</b>                                                                                                                                    |             |                                                                                                        |
| Are your purification system effective enough to put water back in to the system after purification?                                                       |             |                                                                                                        |
| To what extend do you subsidize your indigent consumers?                                                                                                   |             | n/a                                                                                                    |
| <i>How long does it take to restore sewerage breakages on average</i>                                                                                      |             | n/a                                                                                                    |
| Severe overflow? (hours)                                                                                                                                   |             | n/a                                                                                                    |
| Sewer blocked pipes: Large pipes? (Hours)                                                                                                                  |             | n/a                                                                                                    |
| Sewer blocked pipes: Small pipes? (Hours)                                                                                                                  |             | n/a                                                                                                    |
| Spillage clean-up? (hours)                                                                                                                                 |             | n/a                                                                                                    |
| Replacement of manhole covers? (Hours)                                                                                                                     |             | n/a                                                                                                    |
| <b>Road Infrastructure Services</b>                                                                                                                        |             |                                                                                                        |
| Time taken to repair a single pothole on a major road? (Hours)                                                                                             |             | 120                                                                                                    |
| Time taken to repair a single pothole on a minor road? (Hours)                                                                                             |             | 120                                                                                                    |
| Time taken to repair a road following an open trench service crossing? (Hours)                                                                             |             | 360                                                                                                    |
| Time taken to repair walkways? (Hours)                                                                                                                     |             | 360                                                                                                    |
| <b>Property valuations</b>                                                                                                                                 |             |                                                                                                        |
| How long does it take on average from completion to the first account being issued? (one month/three months or longer)                                     |             | 1 month                                                                                                |
| Do you have any special rating properties? (Yes/No)                                                                                                        |             | No                                                                                                     |
| <b>Financial Management</b>                                                                                                                                |             |                                                                                                        |
| Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/increase)                                               |             | Decrease unauthorised, Increase Fruitless and wasteful expenditure due to challenges on Eskom Invoices |
| Are the financial statement outsourced? (Yes/No)                                                                                                           |             | no                                                                                                     |
| Are there Council adopted business process structuring the flow and management of documentation feeding to Trial Balance?                                  |             | YES                                                                                                    |
| How long does it take for an Tax/invoice to be paid from the date it has been received?                                                                    |             | 30 DAY                                                                                                 |
| Is there advance planning from SCM unit linking all departmental plans quarterly and annually including for the next two to three years procurement plans? |             | YES                                                                                                    |

|                                                                                                                                                         |  |                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Administration</b>                                                                                                                                   |  |                                                                                                                                                    |
| Reaction time on enquiries and requests?                                                                                                                |  | This information will only be available from the new complaints/requests register that will be implemented.                                        |
| Time to respond to a verbal customer enquiry or request? (working days)                                                                                 |  | IMMEDIATELY                                                                                                                                        |
| Time to respond to a written customer enquiry or request? (working days)                                                                                |  | 30 DAYS                                                                                                                                            |
| Time to resolve a customer enquiry or request? (working days)                                                                                           |  | 30 DAYS                                                                                                                                            |
|                                                                                                                                                         |  | The system does not presently log unanswered calls - this will be requested to be included in monthly reports                                      |
| What percentage of calls are not answered? (5%, 10% or more)                                                                                            |  | The system is currently not equipped for voicemail - a quotation will have to be obtained from the service provider to install this and set it up. |
| How long does it take to respond to voice mails? (hours)                                                                                                |  | yes                                                                                                                                                |
| Does the municipality have control over locked enquiries? (Yes/No)                                                                                      |  | Hotline to provide in respect of verbal/ telephonic complaints                                                                                     |
|                                                                                                                                                         |  | A written complaints register will be implemented with immediate effect by Registry                                                                |
| Is there a reduction in the number of complaints or not? (Yes/No)                                                                                       |  |                                                                                                                                                    |
| How long does it take to open an account to a new customer? (1 day/ 2 days/ a week or longer)                                                           |  |                                                                                                                                                    |
| How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings? |  |                                                                                                                                                    |
| <b>Community safety and licensing services</b>                                                                                                          |  |                                                                                                                                                    |
| How long does it take to register a vehicle? (minutes)                                                                                                  |  | 7 minutes at counter                                                                                                                               |
| How long does it take to renew a vehicle license? (minutes)                                                                                             |  | 5 minutes at counter                                                                                                                               |
| How long does it take to issue a duplicate registration certificate vehicle? (minutes)                                                                  |  | 5 minutes at counter                                                                                                                               |
| How long does it take to de-register a vehicle? (minutes)                                                                                               |  | 10 minutes at counter                                                                                                                              |
| How long does it take to renew a drivers license? (minutes)                                                                                             |  | 15 minutes at eye test & counter                                                                                                                   |
| What is the average reaction time of the fire service to an incident? (minutes)                                                                         |  | 15 minutes depending on distance                                                                                                                   |
| What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)                                                  |  | n/a                                                                                                                                                |
| What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)                                                  |  | n/a                                                                                                                                                |
| <b>Economic development</b>                                                                                                                             |  |                                                                                                                                                    |
| How many economic development projects does the municipality drive?                                                                                     |  | 15                                                                                                                                                 |
| How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?          |  | 12                                                                                                                                                 |
| What percentage of the projects have created sustainable job security?                                                                                  |  | 1                                                                                                                                                  |
| Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)                           |  | Yes                                                                                                                                                |
| <b>Other Service delivery and communication</b>                                                                                                         |  |                                                                                                                                                    |
| Is a information package handed to the new customer? (Yes/No)                                                                                           |  | YES                                                                                                                                                |
| Does the municipality have training or information sessions to inform the community? (Yes/No)                                                           |  | YES                                                                                                                                                |
| Are customers treated in a professional and humanly manner? (Yes/No)                                                                                    |  | Yes                                                                                                                                                |



Annexure 19 1

## ALFRED DUMA LOCAL MUNICIPALITY OFFICE OF THE MUNICIPAL MANAGER

Incorporating Mayoral Office, Internal Audit, Risk, PMS, IDP, Policy Research, Communications, IGR

Please ask for:

My Ref:

Your Ref:



29 Ladysmith 3370

(036) 637 2231

Fax.

(036) 631 1400

Email: [mm@alfredduma.gov.za](mailto:mm@alfredduma.gov.za)

Website: [www.alfredduma.gov.za](http://www.alfredduma.gov.za)

### QUALITY CERTIFICATE

I, S S Ngiba, Municipal Manager of the **Alfred Duma Local Municipality, KZN 238** hereby certify that the:

#### **FINAL 2020/2021 BUDGET AND SUPPORTING DOCUMENTATION**

has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

  
**SIBUSISIWE SIXOLILE NGIBA**  
**MUNICIPAL MANAGER**  
25 May 2020



## **ALFRED DUMA LOCAL MUNICIPALITY**

### **DRAFT ELECTRICITY TARIFF 2020/2021**

## 1. Definitions:

**Active Energy Charge:** A charge for each kilowatt hour (kWh) of energy active consumed.

**Basic Charge:** A monthly basic charge is payable for all metered connections whether electricity is consumed or not and all vacant lots where a building can be erected for any purpose and which can be connected to the electricity reticulation network.

**Estimated Load:** The total connected load of an installation reduced by the diversity factor.

**High Voltage:** A nominal voltage of 132 000 Volt ( $\pm 5\%$ ) between any of the three phase conductors.

**Low Voltage:** A nominal voltage of 400 Volt ( $\pm 10\%$ ) between any of the three phase.

**Maximum Demand Charge:** Payable for each maximum kilovolt-ampere (kVA) supplied by the Council to a consumer during a demand integrating period of 30 (thirty) consecutive minutes in the month or such time periods in the month as may be applicable.

**Medium Voltage:** A nominal voltage of 11 000 Volt ( $\pm 5\%$ ) between any of the three phase conductors.

**Notified Maximum Demand:** The consumer shall notify the Council in writing of the maximum demand in kilovolt-ampere ( hereinafter referred to as "the notified maximum demand") which the consumer requires the Council to provide.

One calendar-month notice of any increase and twelve (12) months notice of any decrease, in the notified maximum demand, must be given in writing by the consumer to the Council and of the date upon which the revised supply is required. From the date on which the revised supply is made available, the notified maximum demand shall be increased or decreased accordingly.

**Time-of-Use tariff:** The time-of-use tariff is appropriate for a consumer who is able to manage the energy consumption and maximum demand by shifting load to the defined ESKOM's specified time schedule as amended from time to time.

## 2. Conditions applicable to all tariff scales

1. A consumer may apply to the Council to be billed on either the standard or the time-of-use tariff. A consumer may not apply to change over from the standard to the time-of-use tariff or from the time-of-use to the standard tariff more than once in a period of 12 months.
2. A consumer may apply to the Council to reduce or to increase the size of a circuit breaker (MCB) or the notified maximum demand. A consumer may not apply to reduce the circuit breaker or to reduce the notified maximum demand more than once in a period of 12 months.

## 3. Scale 1 : Domestic Supplies

1. This scale shall also apply to churches, charitable organizations and sporting bodies with a maximum estimated load of 80A single phase but not exceeding 100A 3 phase. (Circuit Breaker sizes: 45, 60 and 80A single phase), (3 Phase : 45, 60, 80 and 100A)

### 2. Credit Meters

2.1 Basic Charge

R120.10

2.2 Active Energy charge per kWh consumed: Inclining Block tariff

| Inclining Block Tariff |          |          |          |          |
|------------------------|----------|----------|----------|----------|
| From                   | 0        | 351      | 651      | >1 500+  |
| To                     | 350      | 650      | 1 500    |          |
| Energy Charge (R/kWh)  | R 1.5375 | R 1.9655 | R 2.3195 | R 2.8341 |

## 3. Prepayment Tariff Domestic

- a) Active Energy charge per kWh: Inclining Block Tariff

| Inclining Block Tariff |          |          |          |          |
|------------------------|----------|----------|----------|----------|
| From                   | 0        | 101      | 351      | > 650+   |
| To                     | 100      | 350      | 650      |          |
| Energy Charge (R/kWh)  | R 1.2144 | R 1.4119 | R 1.9831 | R 2.3401 |

#### 4. Scale 2: Businesses

1. This scale applies to businesses with a maximum load of 80A single phase but not exceeding 150A three phase. (Circuit Breaker sizes: 5A – 80A at intervals of 5A on single-phase and 5A – 100A at intervals of 5A and thereafter 125A and 150A on three-phase).
2. **Credit Meters**
  - a) Basic Charge **R 120.10 excl VAT**
  - b) Active Energy Charge per kWh consumed: **R 2.3156 excl VAT**
3. **Prepayment tariff**
  - a) Active Energy charge: **R 2.2010 excl VAT**

#### 5. Scale 3: Medium businesses and industrial premises

This scale shall apply where the notified maximum demand is 50kVA but less than 500kVA supplied at low voltage.

One calendar-month notice of any increase and twelve (12) months notice of any decrease, in the notified maximum demand, must be given in writing by the consumer to the Council and of the date upon which the revised supply is required. From the date on which the revised supply is made available, the notified maximum demand shall be increased or decreased accordingly.

A notice period of 6 months must be given to terminate the contract for bulk electricity supply.

##### 1. Credit Meters

- a) Monthly Basic charge for metered stand per point of supply whether electricity is consumed or not: **R 3 743.30 excl VAT**
- b) (1) Network Access Charge (NAC) per KVA: **R 95.63 excl VAT**
- (2) Network Demand Charge (NDC) per KVA: **R 107.54 excl VAT**

- c) Active Energy charge for September to May from 06:00 – 22:00 per kWh: **R 0.7970 excl VAT**
- d) Active Energy charge for September to May from 22:00 – 06:00 per kWh: **R 0.6521 excl VAT**
- e) Active Energy charge for June to August from 06:00 – 22:00 per kWh: **R 2.1032 excl VAT**
- f) Active Energy charge for June to August from 22:00 – 06:00 per kWh: **R 0.7012 excl VAT**

## 2. Time-Of-Use meters

- a) Monthly Basic charge for metered stand per point whether electricity is consumed or not: **R 7 996.12 excl VAT**
- b) (1) Network Access Charge (NAC) per KVA **R 82.01 excl VAT**
- c) Time-of-Use tariff per kWh consumed during the month in accordance with ESKOM's specified time schedule

| Active Energy Charge | High Season<br>(June – August) | Low Season<br>(September – May) |
|----------------------|--------------------------------|---------------------------------|
| Peak                 | <b>R4.3148</b>                 | <b>R1.4808</b>                  |
| Standard             | <b>R1.3826</b>                 | <b>R1.0531</b>                  |
| Off-Peak             | <b>R0.8004</b>                 | <b>R0.7082</b>                  |

## 6. Scale 4 : Large business and industrial premises

This scale shall apply where the notified maximum demand is 100kVA or higher as per consumer requirements supplied at medium voltage.

One calendar-month notice of any increase and twelve (12) months notice of any decrease, in the notified maximum demand, must be given in writing by the consumer to the Council and of the date upon which the revised supply is required. From the date on which the revised supply is made available, the notified maximum demand shall be increased or decreased accordingly.

A notice period of 6 months must be given to terminate the contract for bulk electric supply.

### 1. Credit Meters

- a) Monthly Basic charge for a metered stand per point of supply whether electricity is consumed or not: **R 5 655.64** excl VAT
- b) (1) Network Access Charge (NAC) per KVA **R 90.88** excl VAT  
(2) Network Demand Charge (NDC) per KVA **R 102.58** excl VAT
- c) Active Energy charge for September to May from 06:00 – 22:00 per kWh: **R 0.8614** excl VAT
- d) Active Energy charge for September to May from 22:00 – 06:00 per kWh: **R 0.7049** excl VAT
- e) Active Energy charge for June to August from 06:00 – 22:00 per kWh: **R 2.2961** excl VAT
- f) Active Energy charge for June to August from 22:00 – 06:00 per kWh: **R 0.7654** excl VAT

### 2. Time-Of-Use meters

- a) Monthly Basic charge for a metered stand per point of supply whether electricity is consumed or not: **R 8 177.16** excl VAT
- b) (1) Network Access Charge (NAC) per KVA **R 70.70** excl VAT
- c) Time-of-Use tariff per kWh consumed during the month in accordance with ESKOM's specified time schedule.

| Active Energy Charge | High Season<br>(June – August) | Low Season<br>(September – May) |
|----------------------|--------------------------------|---------------------------------|
| Peak                 | <b>R4.1632</b>                 | <b>R1.4297</b>                  |
| Standard             | <b>R1.3350</b>                 | <b>R1.0169</b>                  |
| Off-Peak             | <b>R0.7735</b>                 | <b>R0.6836</b>                  |

### 6. A Medium Voltage Bulk: Commercial Resellers (Time of Use)

## 1. Time-Of-Use meters

- a) Monthly Basic charge for a metered stand per point of supply whether electricity is consumed or not: **R 8 177.16 excl VAT**
- b) Network Access Charge (NAC) per KVA **R 70.70 excl VAT**
- c) Time-of-Use tariff per kWh consumed during the month in accordance with ESKOM's specified time schedule.

| Active Energy Charge | High Season<br>(June – August) | Low Season<br>(September – May) |
|----------------------|--------------------------------|---------------------------------|
| Peak                 | <b>R4.3632</b>                 | <b>R1.6297</b>                  |
| Standard             | <b>R1.5350</b>                 | <b>R1. 2169</b>                 |
| Off-Peak             | <b>R0.9735</b>                 | <b>R0.8836</b>                  |

## 7. Scale 5 : Special Agreement

The Council reserves the right to negotiate special agreements and the applicable tariff as with consumers where the notified maximum demand is 5000 kVA and higher.

## 8. Scale 6 : Departmental

All energy used by any department of the Council shall be at the applicable tariff as contained in Council's tariff of charges.

## 9. Scale 7: Surcharge on On-Sales

HT Bulk Time of Use Consumers will be required to confirm whether they are selling electricity on to tenants at normal commercial rates. In instances where this is the case, these customers will be surcharged at a rate of 20c per kWh consumed.

## 10. Sundry charges

### 1 (a) Replacing the existing standard single-phase meter with:

- i) pre-payment meter ..... **R1 185.47**

### 1(b) Replacing the existing standard three-phase meter with:

- i) pre-payment meter ..... **R 2 650.81**

2. Replacing the existing demand meter with a TOU meter: **R 10 715.66**
3. Replacing the existing billing programme in an electronic electricity energy meter to accommodate a change in tariff ..... **R 1 145.96**
4. Availability charge for all vacant stand where electricity can be connected ..... **R 153.94**
5. Replacement of prepaid electricity token **R 70.01**
6. Connection fees

### SCHEDULE C

| <b>SERVICE CONNECTION FEES</b>                     | <b>COSTS</b>       |
|----------------------------------------------------|--------------------|
| <b>SINGLE-PHASE LOW VOLTAGE 80A MAXIMUM</b>        | <b>R 3 085.13</b>  |
| <b>THREE-PHASE LOW VOLTAGE 150A MAXIMUM</b>        | <b>R 11 758.24</b> |
| <b>HIGH &amp; LOW VOLTAGE BULK</b>                 | <b>R 11 552.00</b> |
| <b>THREE-PHASE PREPAYMENT METER (MAXIMUM 100A)</b> | <b>R 8 392.33</b>  |
| <b>ADDITIONAL CAPACITY PER kVA</b>                 | <b>R 1 218.03</b>  |

7. The tariffs contained in Schedule D shall be payable for circuit breaker replacements when requested by the consumer.

### SCHEDULE D

|                                             |                 |
|---------------------------------------------|-----------------|
| <b>Single-phase to a maximum 80 amperes</b> | <b>R 483.86</b> |
| <b>Three-phase to a maximum 100 amperes</b> | <b>R 556.46</b> |

8. Where the supply has been disconnected for non-payment of any charges or fees due by the consumer, the supply shall not be reconnected until the fees as prescribed hereunder and any other monies due by consumer to the Council in connection with such supply have been paid in full: -
  - (a) During normal hours per visit (connection/disconnection) **R 489.83**
  - (b) After normal hours per visit (connection/disconnection) **R 489.83**
  - (c) After hour reconnection Fee **R 639.66**

- |                                                                                             |                 |
|---------------------------------------------------------------------------------------------|-----------------|
| (d) New Business Contract Connection Fee                                                    | <b>R 581.53</b> |
| (e) Reminders to business and commercial consumers –<br>per visit                           | <b>R 489.83</b> |
| (f) Additional Disconnection reminders after due date<br>to domestic consumers              | <b>R 42.15</b>  |
| (g) Consolidated consumer deposits payable as per prescribed<br>by annual budget resolution | <b>R42.15</b>   |

The above charges shall also be payable by the consumer for each visit of an official of the Council for the purpose of disconnection for any of the abovementioned reasons, even though for any valid reason, such disconnection has not been affected.

- |                                                                                                                                                                                                |                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 9. a) Fee payable for the reading and inspection of meters<br>on finalizing an account .....                                                                                                   | <b>R 489.83</b>   |
| b) Fee for reading as well as analysis of special meters<br>which are equipped with memory-bank facilities,<br>depending on the total data available in the memory-<br>bank of the meter ..... | <b>R 1 993.31</b> |

10. Fees for each visit of a representative of the Electricity Department to the consumer's premises to attend to a power failure:

- |                                      |                 |
|--------------------------------------|-----------------|
| a) Domestic .....                    | <b>R 644.27</b> |
| b) Business / Industrial .....       | <b>R 644.27</b> |
| c) Sundays and public holidays ..... | <b>R 998.17</b> |

## **11. METER TAMPERING ADMINISTRATION FEE AS FOLLOWS:**

### **11.1 DOMESTIC CUSTOMER**

- a) That the tampering fee of **R11 077.44** for first time offenders and the recovery of electricity consumption be calculated for the period of three (3) years.
- b) The tampering fee for a second time/ repeat offender be **R16 616.16** and recovery of electricity consumption be calculated for three (3) years.

## 11.2 COMMERCIAL AND INDUSTRIAL CUSTOMERS

a) That the tampering fee for commercial and industrial customers for first offence is **R22 154.88** and the recovery of electricity consumption lost be calculated over a period of three (3) years.

b) The second/repeat offender for commercial and industrial be **R33 232.32** and recovery of electricity consumption be calculated for three (3) years

### 12. Fees payable for the testing of energy meters:

|                                                  |                   |
|--------------------------------------------------|-------------------|
| a) Testing of each single-phase meter .....      | <b>R 1 681.85</b> |
| b) Testing of each three-phase meter .....       | <b>R 2 242.46</b> |
| c) Testing of any other type of energy meter ... | <b>R 9 810.78</b> |

### 13. Temporary Supplies

a) Where a temporary connection is required such connection shall be on a prepaid meter, for a period not exceeding six months, on the expiry of which the connection will be renewed on request, subject to inspection of the connection before reconnection. In such cases the initial and subsequent connection fees shall be one half of the relevant connection fees – as per Schedule C.

b) Prepaid Energy charge per kWh consumed ..... **R 6.6069**

14. The following shall apply to illuminate signs supplied with electricity from streetlight circuits: -

An amount of: **R 2.35 per kWh**  
Payment shall terminate at the end of the month following the date of removal thereof.

**All of the above-mentioned tariffs in respect of services rendered are subject to value added tax (VAT) as determined from time to time.**